

**IN THE UNITED STATES BANKRUPTCY COURT  
FOR THE DISTRICT OF DELAWARE**

|                                      |          |                                |
|--------------------------------------|----------|--------------------------------|
| <b>In Re:</b>                        | <b>§</b> | <b>Chapter 11</b>              |
|                                      | <b>§</b> |                                |
| <b>W.R. GRACE &amp; CO., et al.,</b> | <b>§</b> | <b>Jointly Administered</b>    |
|                                      | <b>§</b> | <b>Case No. 01-01139 (JKF)</b> |
| <b>Debtors.</b>                      | <b>§</b> |                                |
|                                      | <b>§</b> |                                |

**FEE AUDITOR'S FINAL REPORT REGARDING  
FEE APPLICATION OF KRAMER LEVIN NAFTALIS & FRANKEL LLP  
FOR THE TWENTY-EIGHTH INTERIM PERIOD**

This is the final report of Warren H. Smith & Associates, P.C., acting in its capacity as fee auditor in the above-captioned bankruptcy proceedings, regarding the Twenty-Eighth Interim Fee Application of Kramer Levin Naftalis & Frankel LLP (the “Application”).

**BACKGROUND**

1. Kramer Levin Naftalis & Frankel LLP (“Kramer”) was retained as co-counsel to the official committee of equity holders. In the Application, Kramer seeks approval of fees totaling \$247,502.75 and expenses totaling \$9,033.91 for its services from January 1, 2008 through March 31, 2008 (the “Application Period”).

2. In conducting this audit and reaching the conclusions and recommendations contained herein, we reviewed in detail the Application in its entirety, including each of the time and expense entries included in the exhibits to the Application, for compliance with 11 U.S.C. § 330, Local Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, Amended Effective February 1, 2008, and the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330,

Issued January 30, 1996 (the "Guidelines"), as well as for consistency with precedent established in the United States Bankruptcy Court for the District of Delaware, the United States District Court for the District of Delaware, and the Third Circuit Court of Appeals. We served an initial report on Kramer, and received a response from Kramer, portions of which response are quoted herein.

## DISCUSSION

3. In our initial report, we noted the following time entries in which there was a discrepancy between the total time billed and the time recorded in parentheses:

|          |               |   |      |          |
|----------|---------------|---|------|----------|
| 02/15/08 | FARBER, PEGGY | Attended deposition (4.5), wrote summary for internal team (1.1). | 5.70 | 2,821.50 |
|----------|---------------|---|------|----------|

The total time recorded in parentheses is 5.60 hours, for total fees of \$2,772. Thus, it appears that there is an overcharge of \$49.50.

|          |               |  |      |          |
|----------|---------------|--|------|----------|
| 02/22/08 | FARBER, PEGGY | Reviewed briefs to prepare for upcoming hearing (1.6); discussed same with partner (.2). | 2.10 | 1,039.50 |
|----------|---------------|--|------|----------|

The total time recorded in parentheses is 1.80 hours, for total fees of \$891.00. Thus, it appears that there is an overcharge of \$148.50.

Thus, we asked Kramer to review its records and advise whether or not it agreed that fee adjustments were warranted in these instances. Kramer responded as follows:

The Fee Auditor has stated that there are time detail discrepancies between the total time billed and the time recorded in parentheses. Therefore, the Applicant agrees to reduce the amount requested in the Application by \$198.00.

We appreciate Kramer's response and recommend a reduction of \$198.00 in fees.

4. In our initial report, we noted the following expenses for "document prep":

|                |              |          |       |
|----------------|--------------|----------|-------|
| DOCUMENT PREP. | SHARIFF, N S | 01/09/08 | 37.50 |
| DOCUMENT PREP. | GRIFFIN, D G | 01/09/08 | 50.00 |

Pursuant to Paragraph II.E.7. of the U. S. Trustee Guidelines: "Overhead includes word processing, proofreading, secretarial and other clerical services..." Thus, we asked Kramer to explain the nature of these charges and why they should not be considered noncompensable overhead. Kramer responded as follows:

The Fee Auditor has identified that the Applicant charged a total of \$87.50 for "Document Prep." on January 9<sup>th</sup>, 2008. The Applicant has been informed that pursuant to Paragraph II.E.7. of the U.S. Trustee Guidelines: "Overhead includes word processing, proofreading, secretarial and other clerical services..." The work performed and billed for "Document Prep." would fall within the definition of "Overhead," as interpreted by the U.S. Trustee. Therefore, the Applicant agrees to reduce the amount requested in the Application by \$87.50.

We appreciate Kramer's response and recommend a reduction of \$87.50 in expenses.

5. In our initial report, we noted the following meal charges for which more information was needed:

272.25        Gregory A. Horowitz  
Establishment: Original Fish Market; Guests: Peggy Farber, Arlene Krieger, Ken Pasquale; Affiliation: KLNF, Stroock; Business Discussed: WR Grace

276.16        Gregory A. Horowitz  
Establishment: Nine on Nine; Guests: Peggy Farber, Arlene Krieger, Ken Pasquale; Affiliation: KLNF, Stroock; Business Discussed: WR Grace

In response to our inquiry, Kramer provided the following information concerning these charges:

The Fee Auditor has identified two meal charges for which more information is needed. These meals followed the evidentiary asbestos personal injury estimation hearings held on January 14, 2008 and January 16, 2008. Below is detailed information pertaining to the meal charges that were identified by the Fee Auditor:

| Date    | Charge   | Meal   | Location          | Establishment           | Purpose   | Guests  |
|---------|----------|--------|-------------------|-------------------------|---|---|
| 1/14/08 | \$272.25 | Dinner | Pittsburgh,<br>PA | Original Fish<br>Market | Asbestos<br>Personal<br>Injury<br>Litigation<br>(discussions) | Greg Horowitz<br>(Kramer)<br>Peggy Farber<br>(Kramer)<br>Arlene Krieger<br>(Stroock)<br>Ken Pasquale<br>(Stroock) |
| 1/15/08 | \$276.16 | Dinner | Pittsburgh,<br>PA | Nine on Nine            | Asbestos<br>Personal<br>Injury<br>Litigation<br>(discussions) | Greg Horowitz<br>(Kramer)<br>Peggy Farber<br>(Kramer)<br>Arlene Krieger<br>(Stroock)<br>Ken Pasquale<br>(Stroock) |

It appears to us that one can dine satisfactorily for \$55.00 for dinner in most locales. Based upon this guideline, we recommend that the \$272.25 charge be reduced by \$52.25 and the \$276.16 charge be reduced by \$56.16, for a total reduction of \$108.41 in expenses.

### CONCLUSION

6. Thus, we recommend approval of \$247,304.75 in fees (\$247,502.75 minus \$198.00) and \$8,838.00 in expenses (\$9,033.91 minus \$195.91) for Kramer's services for the Application Period.

Respectfully submitted,

**WARREN H. SMITH & ASSOCIATES, P.C.**

By:   
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**FEE AUDITOR**

**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing document has been served by First Class United States mail to the attached service list on this 21<sup>st</sup> day of August, 2008.

  
\_\_\_\_\_  
Warren H. Smith

**SERVICE LIST**  
Notice Parties

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